

Docket		A.08-02-001
Exhibit Number	:	DRA-1
Commissioner	:	Simon
ALJ	:	Wong
Witness	:	Greig
	:	



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**DRA Report on the Application of
San Diego Gas & Electric and
Southern California Gas Company
Biennial Cost Allocation Proceeding
Phase II**

Summary of DRA Recommendations

San Francisco, California
November 21, 2008

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I. INTRODUCTION AND SUMMARY OF PROPOSALS

On February 4, 2008, Southern California Gas Company (SoCalGas) and San Diego Gas and Electric Company (SDG&E) filed a combined Biennial Cost Allocation Proceeding (BCAP), Application (A.) 08-02-001, requesting Commission authority to revise rates for gas service on their systems and allocate the costs to its customer classes. In this BCAP, SoCalGas and SDG&E (Utilities) are presenting two cost allocation methodologies, a “compliance” case based on a long-run marginal cost (LRMC) approach and a “preferred” case based on an embedded cost (EC) methodology.

A Scoping Memo/Ruling dated April 17, 2008 approved bifurcation of this proceeding into two phases, with Phase I predominantly addressing storage-related issues and Phase II addressing remaining issues. Phase I of this proceeding, which resulted in a settlement agreement (SA), is pending before the Commission.¹ DRA’s current testimony pertains to the issues in Phase II. The Utilities filed errata to their Phase II Testimony on July 2, 2008 and October 6, 2008. The Commission last adjudicated SoCalGas and SDG&E BCAPs in Decision (D.) 00-04-060.

SoCalGas and SDG&E include extensive proposals and recommendations in their testimony addressing the following primary issues:

1. Updated Cost allocation among customers of non-gas commodity, base margin gas transportation costs, under a “preferred” EC method and a “compliance” LRMC method,
2. Forecasted account balances in various balancing, tracking, and memorandum accounts,
3. Proposed rate design revisions, service offerings, and tariffs,
4. Proposed operational changes,
5. Updated demand forecasts,
6. Issues deferred from other proceedings (FAR and Omnibus)

¹ A Proposed Decision that would adopt a Phase I Settlement was issued on November 4, 2008.

7. Balancing Account treatment for noncore transportation revenue requirements,

The table below provides a comparison of the SoCalGas and the Division of Ratepayer Advocates (DRA) proposed preliminary rates.² Due to modeling difficulties, the SDG&E rate comparison and DRA rate tables for SDG&E will be submitted at a later date.

SoCalGas and DRA Rate Comparison (\$/th)³

Customer Class	Present Rates	SoCalGas Proposed Rates EC	SoCalGas Proposed Change	DRA Proposed Rates LRMC/NCO	DRA Proposed Change
Residential	\$.456	\$.492	7.8%	.457	.1%
Core C&I	\$.289	\$.254	-12.3%	.269	-6.8%
NC C&I	\$.063	\$.042	-33.8%	.064	1.5%
EG	\$.035	\$.031	-10.5%	.044	25.5%
Wholesale&DGN	\$.013	\$.018	38.3%	.020	53.9%
System Total	\$.175	\$.184	5.2%	.184	5.2%

II. SUMMARY OF DRA'S RECOMMENDATIONS

The following summary presents the Division of Ratepayer Advocate's (DRA) primary recommendations as presented in DRA's Phase II Testimony.

1. DRA does not take issue with SoCalGas' and SDG&E's recommended 2009 – 2011 throughput forecasts for the following customer classes:

² The DRA proposed rates may change slightly as they do not include DRA's recommendations to maintain existing customer charges and seasonality for the core commercial and industrial class.

³ The class rates exclude the FAR charge. However, the System Total rates include FAR.

1 residential, core commercial and industrial, noncore commercial and
2 industrial, and industrial refinery. (Exhibit Number DRA-2)

3 2. For SoCalGas, DRA recommends that the Commission continue to adopt
4 the LRMC New Customer Only (NCO) method, without the replacement
5 cost adders, for the allocation of the SoCalGas transportation base margin
6 costs. (Exhibit Number DRA-3)

7 3. In the alternative, should the Commission favor adoption of the proposed
8 Embedded Cost (EC) method for SoCalGas, the Commission should
9 modify the EC methodology as recommended by DRA. DRA's proposed
10 modifications to the EC methodology include allocating 50% of the
11 administrative and general (A&G) costs on the basis of equal cents per
12 therm (ECPT) and other more minor modifications as discussed in DRA's
13 Testimony. (Exhibit Number DRA-3)

14 4. For SDG&E, DRA recommends that the Commission accept SDG&E's
15 proposal to allocate the gas base margin based on the EC method, with
16 one modification regarding the allocation of A&G costs, as described in
17 Item #3 above. (Exhibit Number DRA-4)

18 5. As an alternative, should the Commission choose to adopt the LRMC
19 methodology for SDG&E, DRA recommends that the gas margin
20 allocation be based on the LRMC/NCO method, without the replacement
21 cost adder, as recommended for SoCalGas. (Exhibit Number DRA-4)

22 6. DRA recommends a 90/10 risk sharing structure for noncore throughput
23 with shareholders only absorbing 10% of the risk and rewards. SoCalGas
24 and SDG&E should be subject to a modest level of transportation revenue
25 risk to ensure that rates are developed appropriately and to ensure that
26 discounted transportation contracts are negotiated only when necessary to
27 prevent bypass. (Exhibit Number DRA-5)

28 7. DRA does not oppose the proposed Unaccounted For (UAF) core/noncore
29 allocations for SoCalGas. (Exhibit Number DRA-5)

30 8. Since the SDG&E proposed UAF allocations are not based on a utility-
31 specific UAF Study, DRA opposes SDG&E's proposed UAF allocations.

1 DRA recommends that SDG&E's UAF costs be allocated in accordance
2 with the ECPT methodology. (Exhibit Number DRA-5)

3 9. DRA does not oppose the SDG&E proposed Borrego Springs LNG rate.
4 However, DRA opposes the elimination of the existing Commission
5 requirement that the Borrego Springs combined LNG and electric bill not
6 exceed the Borrego Springs all-electric bill. (Exhibit Number DRA-5)

7 10. DRA opposes the proposed core commercial and industrial (C&I)
8 customer charge consolidation and elimination of rate seasonality for both
9 SoCalGas and SDG&E. (Exhibit Number DRA-5)

10 11. DRA recommends a more gradual transition of 5% per year for
11 SoCalGas' core deaveraging, in contrast to the Utility proposal for full
12 deaveraging over the three year BCAP period. (Exhibit Number DRA-5)

13 12. DRA opposes the proposed elimination of the gas engine rate cap.
14 (Exhibit Number DRA-5)

15 13. DRA opposes SoCalGas' proposal to seasonalize the base margin
16 portion of the CFCA. The existing 1/12 methodology should be retained.
17 (Exhibit Number DRA-5)

18 14. DRA recommends an ECPT allocation for the following regulatory
19 accounts: CUFLBA, BOFORMA, FARSMA, and OMSRMA. (Exhibit
20 Number DRA-5)

21 15. DRA recommends no adjustments to any of SoCalGas' or SDG&E's
22 balancing accounts as of December 31, 2007. (Exhibit Numbers DRA-6
23 and DRA-7)

24 16. DRA does not oppose the elimination of those regulatory accounts as
25 proposed by SoCalGas and SDG&E in their testimony. (Exhibit Numbers
26 DRA-6 and DRA-7).

1 **QUALIFICATIONS AND PREPARED TESTIMONY**

2 **OF**

3 **JACQUELINE GREIG**

4 Q.1. Please state your name and address.

5 A.1. My name is Jacqueline Greig. My business address is 505 Van Ness
6 Avenue, San Francisco, California, 94102.

7
8 Q.2. By whom are you employed and in what capacity?

9 A.2. I am employed by the California Public Utilities Commission as a Public
10 Utilities Regulatory Analyst V in the Cost of Service and Natural Gas
11 Branch of the Office of Ratepayer Advocates (DRA).

12
13 Q.3. Please provide a brief description of your educational background and
14 professional experience.

15 A.3. I graduated from San Francisco State University in December 1987,
16 with a Bachelor of Science degree in International Business. I have
17 completed Graduate Economics courses at San Francisco State
18 University. I was employed by the Commission in 1988 in DRA for
19 seven years. After a departure from 1995-1999, I re-joined the
20 Commission in 1999 in DRA.

21
22 I have worked on electric, telecommunications, and primarily gas
23 industry issues. My responsibilities have included sponsoring
24 reports/testimony in many proceedings, such as, reasonableness
25 reviews, capacity brokering, infrastructure expansions, incentive
26 ratemaking, BCAPs, gas industry OIRs and OILs, and greenhouse
27 gas/climate applications. I have served as project manager and witness
28 for many natural gas proceedings and I have previously testified before
29 the Commission.

30
31 Q.4 What is the area of your responsibility in this proceeding?

32 A.4 I am sponsoring Exhibits 1 and 5 of DRA's Testimony in Phase II of this
33 proceeding.

34
35 Q.5 Does this conclude your prepared direct testimony?

36 A.5 Yes, it does.